

MFP #1
May 9, 2008

MEMORANDUM

May 7, 2008

TO: Management and Fiscal Policy Committee
FROM: *CHS*
Charles H. Sherer, Legislative Analyst
SUBJECT: Property tax options and scenarios in FY09

Introduction The purpose of this memorandum is to explain property tax options and scenarios in FY09. The Council will have to make two decisions regarding property tax:

1. What amount of property tax do you need to fund the FY09 operating budget? Different amounts are referred to as “**options**”. Possible options are shown in the table below and on ©9.

Current rates	\$1.507 billion, \$260 million above the Charter limit
Executive	\$1.385 billion, \$122 million below current rates \$138 million above the Charter limit
Executive minus \$20 million	\$1.365 billion, \$142 million below current rates \$118 million above the Charter limit
Executive minus \$40 million	\$1.345 billion, \$162 million below current rates \$98 million above the Charter limit
Charter limit	\$1.247 billion

2. What mix of rate changes and credits do you want to use to achieve the amount you decide on in #1? (Credits are explained in Mr. Faden’s memorandum for this meeting, focusing mostly on the credit to offset income tax resulting from an income tax rate greater than 2.6% of Maryland taxable income.) Different mixes are referred to as “**scenarios**”. If the amount of property tax the Council needs to fund the FY09 operating budget is less than the amount of property tax at current rates, the following scenarios would reduce the FY09 property tax:
 - a. Reduce the rate but do not give a credit
 - b. Various combinations of rate reduction and credit
 - c. Leave the rate unchanged and give a credit

- d. Increase the rate and give a credit that more than offsets the increase in the amount resulting from the increase in the rate (this is the Executive's scenario)

Taxpayer groups Each real property taxpayer is in one of the following groups:

1. Owners of residential property who occupy the residence as their principal residence (OOPR).
This is the only group that gets the income tax offset credit.

Groups 2-5 are classified as non-residential.

2. Owners of residential property who occupy the residence but **not** as their principal residence.
3. Owners of residential property who rent their property (and therefore do not occupy it).
4. Owners of apartments.
5. Owners of commercial and industrial property.

Impact of the scenarios on the taxpayer groups How can the Council decide which scenario to choose? The answer depends on where you want the property tax burden to fall, as illustrated on ©4. In choosing between a decrease in the rate and a credit:

- A rate decrease results in a greater tax decrease on high taxable value residential properties and on all non-residential properties.
- Conversely, a rate increase results in a greater tax increase on high taxable value residential properties and on all non-residential properties.
- The income tax offset credit has no impact on non-residential properties because they do not get this credit.
- Within the residential group, the income tax offset credit has more impact on low taxable value properties than on high taxable value properties, because the credit is a greater percentage of the tax bill before the credit.

Comparing the scenarios, scenario a above results in the most property tax from residential and the least from non-residential. Within the residential group, scenario a results in the most property tax from low taxable value properties and the least from high taxable value properties.

Moving from scenario a to scenarios b-d, the property tax burden shifts from residential to non-residential. Within the residential group, the property tax burden shifts from low taxable value properties to high taxable value properties.

Scenario d is the opposite of scenario a: scenario d results in the least property tax from residential and the most from non-residential. Within the residential group, scenario d results in the least property tax from low taxable value properties and the most from high taxable value properties.

Factors to consider A change in the rate affects all groups. A credit affects only the OOPR group. Credits can have both favorable and unfavorable consequences. Consider the following two aspects of credits:

1. If the Council approves a credit, the result is to shift the tax burden from group 1 above to the other groups, which some policy makers regard as positive. However, in the following year, if the Council does not approve a credit, or approves a lesser credit, then the burden shifts back.
2. The Council has approved this credit for eligible taxpayers as follows:

\$116 per household in FY06,
\$221 in FY07, and
\$613 in FY08.

The Executive recommends \$1,014 for FY09. The impact of a credit decreases as the taxable value of the property increases. For example, assume the tax rate is 1% and consider two residences, one with a taxable value of \$101,400 and the other with a taxable value of \$1,014,000.

a) On the lower taxable value residence, the Executive's credit would reduce the tax from \$1,014 to \$0, which is a reduction of 100%.

b) On the higher taxable value residence, the Executive's credit would reduce the tax from \$10,140 to \$9,026, which is a reduction of only 10%.

In FY10, if the Council does not approve a credit, the differential impact would be even more dramatic, but in the opposite direction. The tax increase on the lower taxable value residence would be incalculably large (some would say infinitely large) — from \$0 to more than \$1,000. The tax increase on the higher taxable value residence would be a more modest 23.6% - still large, but nowhere near incalculably/infinitely large.

Impact Council members need to know the impact of the amount and the mix on various taxpayers. Explaining and understanding the impact of the mix of rate changes and credits is complicated by the credits themselves. How can we measure or explain the impact? Several indicators are explained below.

1. % change in the property tax bill from FY08 to FY09 This is a commonly-used indicator. However, it is ambiguous. A large percentage increase from one year to the next could mean that either:

a) The FY09 tax is large, for example \$1,500 in FY09 compared to \$1,000 in FY08, which is a 50% increase. OR

b) The FY08 tax was small, such as \$1 in FY08 compared to \$10 in FY09, which is a 900% increase.

There is no way to know whether a large % increase is caused by a) or b) above. Therefore, a large % increase from FY08 to FY09 is **not** a good indicator of the tax burden on this property, and this large % increase should **not** be a reason to reject a scenario that resulted in this increase.

2. % change in the property tax bill over a longer period, such as from FY05 to FY09 FY05 was chosen, because it was the most recent year without the income tax offset credit, so a large % increase over this 5-year period could **not** be caused by a small amount of tax in FY05.

To compare these two indicators, consider scenario 1 for the Executive's property tax amount (but not his scenario, which is #5). This scenario reduces the rate 7.2¢ and gives no credit. For a residence with a taxable value of \$100,000 in FY08:

a) The one year % increase is 215.2%, which is a large %, but this is explained by 1b above, not by 1a. Specifically, the FY08 tax was (only) \$290 and the FY09 tax would be \$914.

b) The 5-year % increase would be 22.3%, which is an average of roughly 5% per year, which does not appear to be excessive.

3. Effective tax rate The effective tax rate is simply the amount of tax after the credit divided by the property's taxable value. Council staff suggests that this a better indicator of the individual property tax burden than either of the percent changes. Note the following:

- If the Council does not give a credit, the effective tax rate (and also the % change over the 5-year period) is the same for all taxable values.
- If the Council does give a credit, the effective tax rate (and also the % change over the 5-year period) increases as taxable values increase.

4. The amount of tax in FY09 is the best indicator of the tax burden, because this is what each taxpayer pays. It is also the easiest indicator to compare among scenarios. The percent changes can be ignored – if one scenario has a higher percent change than another, then that scenario will also have the highest amount of tax in FY09. Taxpayers will be more interested in knowing how much tax they will pay than what the percent change was over last year or over a five year period.

Options and scenarios Council staff presents several (of many potential) options for consideration: the Executive's property tax amount and \$40 million less than the Executive's property tax amount (an option the Council President requested). For each option, Council staff presents five (of many) scenarios that will result in approximately, if not exactly, the same property tax amount:

1. Reduce the rate but do not give a credit
2. Reduce the rate 4.0¢, and also give a credit
3. Reduce the rate 2.0¢, and also give a credit
4. Leave the rate unchanged and give a credit
5. Increase the rate and give a credit that more than offsets the increase in the amount resulting from the increase in the rate (this is the Executive's scenario)

Executive's amount, \$1.385 billion As just noted, Council staff presents five scenarios that result in approximately, if not exactly, the Executive's recommended property tax amount. Council staff makes the following comments about these scenarios.

1. Scenario 1 reduces the rate 7.2¢ and gives no credit. As noted above, this scenario has:
 - a. From FY08 to FY09, large % increases for low taxable values, and the % increases decrease as the taxable value increases.
 - b. From FY05 to FY09, the same % increases for all taxable values.
 - c. The same effective tax rate for all taxable values.
2. Scenarios 2-5 all shift the burden from lower taxable values to higher taxable values (see the columns for the effective tax rate) and to all groups other than OOPR, with the amount of shifting increasing from scenario 2 through 5.

The Executive's scenario, #5, results in a 78.6% **decrease** in tax from FY08-09 for a property with a taxable value of \$100,000 in FY08, even though the FY08 tax was already low (\$290 in FY08, decreasing to \$62 and an effective tax rate of 5.6¢ in FY09).

What is the impact on apartments and other commercial properties that do not get the credit?

The impact of the Executive's 7.5¢ rate increase scenario on properties that do not get the credit is shown on ©8, as calculated by Finance staff. As the last column shows, the percentage increases are large, and will no doubt be passed on to residents who rent an apartment or who rent space for their business. **The table shows that the average % increase for all commercial – rental properties would be 20.7%.**

If the rate does not change, the average % increase for all rental properties would be 10.9%, because this is the average growth in the assessment, as shown on the table.

Conclusion Scenario 1 is better than scenario 5 for high value OOPR and all non-OOPR properties (including rental properties), because a rate reduction reduces their tax more than a credit. Scenario 1 is worse than scenario 5 for low value OOPR.

Conversely, Scenario 5 is better than scenario 1 for low value OOPR because a credit reduces their tax more than a rate reduction. Scenario 5 is worse than scenario 1 for high value OOPR and all non-OOPR properties, including rental properties. **Shifting the tax burden to commercial properties also shifts it to apartments, with the resulting potential increase in rents.**

The Executive's property tax scenario for real property (scenario 5) is summarized in the table below.

Amount	Residential	Non-Residential	Total Real
FY08	\$844,169,953	\$282,370,956	\$1,126,540,909
FY09 CE	\$956,223,265	\$336,301,814	\$1,292,525,079
% change	13.3%	19.1%	14.7%
% of total real tax			
FY08	75%	25%	100%
FY09 CE	74%	26%	100%

Council staff recommendation Focus on scenarios 2 and 3, regardless of the amount of property tax the Council decides to raise. These two scenarios spread the burden over all property tax groups and all levels of taxable value better than 1, 4, or 5. This results from the fact that scenarios 2-3 give both:

1. A credit, which benefits only the OOPR.
2. A rate cut, which benefits mostly the non-OOPR (including apartments) and high taxable values.

Executive's amount minus \$40 million = \$1.345 billion The analysis is the same as above. Of course, the amounts, percentage changes, and effective tax rates are less.

Additional options requested by Council member Floreen are attached (Executive minus \$56 million and Executive minus \$76 million).

A		B	C	D	E	F
PROPERTY TAX OPTIONS FOR FY09: Executive's amount of property tax						
1						
2						
3	Revised Charter limit #s on April 7, 2008					
4						
5	I. Data for calculations					
6	FY08 approved property tax	1,207,534,618	\$ increase from FY08 approved	% increase from FY08 approved		
7	FY09 Property tax at current rates	1,507,286,693	299,752,075	24.8%		
8	FY09 CE property tax	1,385,223,969	177,689,351	14.7%		
9	FY09 Property tax at Charter limit by credit	1,265,910,476	58,375,858	4.8%		
10	FY09 Property tax at Charter limit by reducing rate	1,247,460,516	39,925,898	3.3%		
11	FY09 Decrease PT from current rates to CL by credit	(241,376,217)				
12	FY09 Decrease PT from current rates to CL by reducing rate	(259,826,177)				
13	FY09 PT at CL by credit minus PT at CL by reducing rate	18,449,960				
14	FY09 Change property tax resulting from 1¢ change rate	16,780,000				
15	FY09 ¢ reduction from current rates to CL	-15.5¢				
16	FY09 # households eligible for credit	245,000				
17	FY09 Credit per household to CL	(985)	FY08 credit per household was:	(613)		
18	CE property tax is this much less than current rates	(122,062,724)				
19	CE property tax is this much greater than Charter limit	137,763,453	(Charter limit if achieved by reducing the rates)			
20	CE property tax is this much greater than Charter limit	119,313,493	(Charter limit if achieved by credit)			
21						
22	Maximum amount of property tax credit for income tax offset					
23	The maximum is the amount of income tax resulting from a County income tax rate in excess of 2.6%.					
24	Finance's income tax estimate for FY09		1,325,440,000			
25	County income tax rate		3.2%			
26	Income tax per percent		414,200,000			
27	Rate used to calculate excess		2.6%			
28	Income tax if rate were 2.6%		1,076,920,000			
29	Income tax in excess of 2.6%. This is the maximum credit.		248,520,000	(1,014.37)	Maximum credit per household	
30	Credit amount recommended by CE		248,430,000	(1,014.00)	Credit per household recommended by CE	
31						
32	1¢ Calculation for FY09					
33	Data	Real	Personal	Total		
34	Base	158,786,000,000	4,021,666,000	162,807,666,000		
35	Collection factor	0.992	0.974			
36	Rate in ¢ per hundred	1	2.5			
37	Tax for each 1¢/2.5¢, from this table	15,751,571	391,710	16,143,281		
38	Tax for each 1¢/2.5¢, DP			16,780,000		
39						
40						CE =

	A	B	C	D	E	F
	Scenarios to raise Council's property tax	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
41	County Executive property tax	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969
42	Council option: decrease from Executive	0	0	0	0	0
43	Council property tax	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969
44	Decrease from property tax at current rates	(122,062,724)	(122,062,724)	(122,062,724)	(122,062,724)	(122,062,724)
45	Decrease from credit	0	(54,942,724)	(88,502,724)	(122,062,724)	(248,430,000)
46	Decrease from reducing rate (or incr. from incr. rate)	(122,062,724)	(67,120,000)	(33,560,000)	0	126,367,276
47	Credit per household, rounded down to nearest \$	0	(224)	(361)	(498)	(1,014)
48	Change rate	-7.2¢	-4.0¢	-2.0¢	0.0¢	+7.5¢

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	A	B	C	D	E	F
	Scenarios to raise Council's property tax	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
41	County Executive property tax	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969
42	Council option: decrease from Executive	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
43	Council property tax	1,345,223,969	1,345,223,969	1,345,223,969	1,345,223,969	1,345,223,969
44	Decrease from property tax at current rates	(162,062,724)	(162,062,724)	(162,062,724)	(162,062,724)	(162,062,724)
45	Decrease from credit	0	(94,942,724)	(128,502,724)	(162,062,724)	(248,430,000)
46	Decrease from reducing rate (or incr. from incr. rate)	(162,062,724)	(67,120,000)	(33,560,000)	0	86,367,276
47	Credit per household, rounded down to nearest \$	0	(387)	(524)	(661)	(1,014)
48	Change rate	-9.6¢	-4.0¢	-2.0¢	0.0¢	+5.1¢

	A	B	C	D	E	F	G
1	FY 09 PROPERTY TAX OPTIONS: Executive's amount						
2	Amount of tax for five scenarios						
3							
4	I. Residential						
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)	
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903	
8	Change tax rate	(\$0.072)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.075	
9	FY09 tax rate	\$0.831	\$0.863	\$0.883	\$0.903	\$0.978	
10	FY09 credit per household	\$0	(\$224)	(\$361)	(\$498)	(\$1,014)	
11							
12							
13	FY08	FY09 tax	FY09 tax	FY09 tax	FY09 tax	FY09 tax	Change
14	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	1 to 5
15	100,000	914	725	610	495	62	(852)
16	200,000	1,828	1,675	1,582	1,489	1,138	(690)
17	300,000	2,742	2,624	2,553	2,482	2,214	(528)
18	312,000	2,852	2,738	2,669	2,601	2,344	(508)
19	377,659	3,452	3,361	3,307	3,253	3,050	(402)
20	400,000	3,656	3,573	3,524	3,475	3,291	(366)
21	500,000	4,571	4,523	4,496	4,469	4,367	(204)
22	600,000	5,485	5,472	5,467	5,462	5,443	(42)
23	700,000	6,399	6,421	6,438	6,455	6,519	120
24	800,000	7,313	7,370	7,409	7,448	7,595	282
25	900,000	8,227	8,320	8,381	8,442	8,671	444
26	1,000,000	9,141	9,269	9,352	9,435	9,747	606
27	1,100,000	10,055	10,218	10,323	10,428	10,824	768
28	1,500,000	13,712	14,016	14,209	14,402	15,128	1,417
29	2,000,000	18,282	18,762	19,065	19,368	20,509	2,227
30	2,500,000	22,853	23,509	23,922	24,335	25,889	3,037
31	3,000,000	27,423	28,255	28,778	29,301	31,270	3,847
32	3,500,000	31,994	33,002	33,635	34,268	36,651	4,657
33	4,000,000	36,564	37,748	38,491	39,234	42,032	5,468
34							
35							
36	II. Sample apartment building (or any non-residential property) with taxable value in FY09						
37	100,000,000	831,000	863,000	883,000	903,000	978,308	147,308

	A	B	C	D	E	F
1	FY 09 PROPERTY TAX OPTIONS: Executive's amount					
2	% change in amount of tax from FY05 to FY09 for five scenarios					
3						
4	I. Residential					
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903
8	Change tax rate	(\$0.072)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.075
9	FY09 tax rate	\$0.831	\$0.863	\$0.883	\$0.903	\$0.978
10	FY09 credit per household	\$0	(\$224)	(\$361)	(\$498)	(\$1,014)
11						
12						
13						
14	FY08	Percentage change from FY05 to FY09				
15	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
16	100,000	22.3%	-3.0%	-18.4%	-33.7%	-91.7%
17	200,000	22.3%	12.0%	5.8%	-0.4%	-23.9%
18	300,000	22.3%	17.0%	13.8%	10.7%	-1.3%
19	312,000	22.3%	17.4%	14.5%	11.5%	0.5%
20	377,659	22.3%	19.1%	17.1%	15.2%	8.0%
21	400,000	22.3%	19.5%	17.9%	16.2%	10.0%
22	500,000	22.3%	21.0%	20.3%	19.5%	16.8%
23	600,000	22.3%	22.0%	21.9%	21.8%	21.3%
24	700,000	22.3%	22.7%	23.0%	23.4%	24.6%
25	800,000	22.3%	23.2%	23.9%	24.5%	27.0%
26	900,000	22.3%	23.7%	24.6%	25.5%	28.9%
27	1,000,000	22.3%	24.0%	25.1%	26.2%	30.4%
28	1,100,000	22.3%	24.3%	25.5%	26.8%	31.6%
29	1,500,000	22.3%	25.0%	26.7%	28.4%	34.9%
30	2,000,000	22.3%	25.5%	27.5%	29.5%	37.2%
31	2,500,000	22.3%	25.8%	28.0%	30.2%	38.5%
32	3,000,000	22.3%	26.0%	28.3%	30.7%	39.4%
33	3,500,000	22.3%	26.1%	28.5%	31.0%	40.1%
34	4,000,000	22.3%	26.2%	28.7%	31.2%	40.6%

	A	B	C	D	E	F	G
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(40,000,000)		
2	Amount of tax for five scenarios						
3							
4	I. Residential						
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)	
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903	
8	Change tax rate	(\$0.096)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.051	
9	FY09 tax rate	\$0.807	\$0.863	\$0.883	\$0.903	\$0.954	
10	FY09 credit per household	\$0	(\$387)	(\$524)	(\$661)	(\$1,014)	
11							
12							
13	FY08	FY09 tax	FY09 tax	FY09 tax	FY09 tax	FY09 tax	Change
14	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	1 to 5
15	100,000	888	562	447	332	36	(852)
16	200,000	1,775	1,512	1,419	1,326	1,086	(690)
17	300,000	2,663	2,461	2,390	2,319	2,136	(527)
18	312,000	2,770	2,575	2,506	2,438	2,262	(508)
19	377,659	3,352	3,198	3,144	3,090	2,951	(401)
20	400,000	3,551	3,410	3,361	3,312	3,186	(365)
21	500,000	4,439	4,360	4,333	4,306	4,236	(203)
22	600,000	5,326	5,309	5,304	5,299	5,286	(41)
23	700,000	6,214	6,258	6,275	6,292	6,335	122
24	800,000	7,102	7,207	7,246	7,285	7,385	284
25	900,000	7,989	8,157	8,218	8,279	8,435	446
26	1,000,000	8,877	9,106	9,189	9,272	9,485	608
27	1,100,000	9,765	10,055	10,160	10,265	10,535	770
28	1,500,000	13,316	13,853	14,046	14,239	14,735	1,419
29	2,000,000	17,754	18,599	18,902	19,205	19,984	2,230
30	2,500,000	22,193	23,346	23,759	24,172	25,234	3,041
31	3,000,000	26,631	28,092	28,615	29,138	30,484	3,853
32	3,500,000	31,070	32,839	33,472	34,105	35,733	4,664
33	4,000,000	35,508	37,585	38,328	39,071	40,983	5,475
34							
35							
36	II. Sample apartment building (or any non-residential property) with taxable value in FY09						
37	100,000,000	807,000	863,000	883,000	903,000	954,470	147,470

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	A	B	C	D	E	F
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(40,000,000)	
2	% change in amount of tax from FY05 to FY09 for five scenarios					
3						
4	I. Residential					
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903
8	Change tax rate	(\$0.072)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.075
9	FY09 tax rate	\$0.831	\$0.863	\$0.883	\$0.903	\$0.978
10	FY09 credit per household	\$0	(\$224)	(\$361)	(\$498)	(\$1,014)
11						
12						
13						
14	FY08	Percentage change from FY05 to FY09				
15	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
16	100,000	18.7%	-24.8%	-40.2%	-55.5%	-95.2%
17	200,000	18.7%	1.1%	-5.1%	-11.3%	-27.4%
18	300,000	18.7%	9.7%	6.6%	3.4%	-4.8%
19	312,000	18.7%	10.4%	7.5%	4.5%	-3.0%
20	377,659	18.7%	13.3%	11.4%	9.5%	4.5%
21	400,000	18.7%	14.0%	12.4%	10.8%	6.5%
22	500,000	18.7%	16.6%	15.9%	15.2%	13.3%
23	600,000	18.7%	18.4%	18.2%	18.1%	17.8%
24	700,000	18.7%	19.6%	19.9%	20.2%	21.1%
25	800,000	18.7%	20.5%	21.2%	21.8%	23.5%
26	900,000	18.7%	21.2%	22.1%	23.0%	25.4%
27	1,000,000	18.7%	21.8%	22.9%	24.0%	26.9%
28	1,100,000	18.7%	22.3%	23.6%	24.8%	28.1%
29	1,500,000	18.7%	23.5%	25.3%	27.0%	31.4%
30	2,000,000	18.7%	24.4%	26.4%	28.5%	33.7%
31	2,500,000	18.7%	24.9%	27.1%	29.3%	35.0%
32	3,000,000	18.7%	25.3%	27.6%	29.9%	35.9%
33	3,500,000	18.7%	25.5%	27.9%	30.3%	36.6%
34	4,000,000	18.7%	25.7%	28.2%	30.7%	37.1%

7

SAMPLE OF COMMERCIAL AND INDUSTRIAL PROPERTIES IN MONTGOMERY COUNTY

Scenario 5 = Executive's FY09 rates		ASSESSMENT		COUNTY TAX RATE		COUNTY PROPERTY TAX		% CHG - FY08 to FY09
TYPE		FY08	FY09	FY08	FY09	FY08	FY09	
commercial	\$	360,300	\$ 366,266	0.916	0.990	\$ 3,300	\$ 3,626	9.9%
commercial	\$	378,800	\$ 405,166	0.916	0.990	\$ 3,470	\$ 4,011	15.6%
commercial	\$	665,000	\$ 703,433	0.916	0.990	\$ 6,091	\$ 6,984	14.3%
commercial	\$	1,183,100	\$ 1,247,300	0.812	0.897	\$ 9,607	\$ 11,188	16.5%
commercial	\$	10,764,500	\$ 11,469,966	0.916	0.990	\$ 98,603	\$ 113,553	15.2%
industrial	\$	15,468,800	\$ 16,030,566	0.916	0.990	\$ 141,694	\$ 158,703	12.0%
industrial	\$	14,032,466	\$ 16,841,400	0.812	0.897	\$ 113,944	\$ 151,067	32.6%
industrial	\$	18,959,466	\$ 21,889,200	0.812	0.897	\$ 153,951	\$ 196,346	27.5%
industrial	\$	20,231,266	\$ 22,213,300	0.812	0.897	\$ 164,278	\$ 189,253	21.3%
industrial	\$	21,906,766	\$ 23,963,000	0.916	0.990	\$ 200,666	\$ 237,234	18.2%
commercial	\$	33,761,100	\$ 36,666,133	0.916	0.990	\$ 309,252	\$ 362,995	17.4%
commercial	\$	33,882,666	\$ 41,014,200	0.916	0.990	\$ 310,365	\$ 406,041	30.8%
commercial	\$	152,713,066	\$ 152,713,066	0.946	1.020	\$ 1,444,666	\$ 1,557,673	7.8%
commercial	\$	147,914,532	\$ 157,361,300	0.916	0.990	\$ 1,354,897	\$ 1,557,877	15.0%
Average Growth for Sample Properties (Commercial & Industrial)								18.1%
Average Growth for All Commercial & Industrial Properties								20.7%

Scenario 5 = Executive's FY09 rates		ASSESSMENT		COUNTY TAX RATE		COUNTY PROPERTY TAX		% CHG - FY08 to FY09
TYPE		FY08	FY09	FY08	FY09	FY08	FY09	
apartments (125 units)	\$	5,033,833	\$ 6,125,166	0.913	0.987	\$ 45,959	\$ 60,455	31.5%
apartments (110 units)	\$	8,500,000	\$ 9,130,100	0.916	0.990	\$ 77,860	\$ 90,388	16.1%
apartments (169 units)	\$	17,878,400	\$ 21,003,900	0.916	0.990	\$ 163,766	\$ 207,939	27.0%
apartments (526 units)	\$	28,684,000	\$ 30,368,000	0.916	0.990	\$ 262,745	\$ 300,643	14.4%
apartments (414 units)	\$	38,754,900	\$ 39,331,100	0.916	0.990	\$ 354,995	\$ 389,378	9.7%
apartments (546 units)	\$	41,500,000	\$ 43,009,700	0.916	0.990	\$ 380,140	\$ 425,796	12.0%
apartments (432 units)	\$	48,695,100	\$ 51,572,300	0.916	0.990	\$ 446,047	\$ 510,566	14.5%
apartments (391 units)	\$	61,800,000	\$ 66,097,466	0.913	0.987	\$ 564,234	\$ 652,382	15.6%
apartments (890 units)	\$	97,661,366	\$ 106,457,232	1.220	1.294	\$ 1,191,469	\$ 1,377,557	15.6%
Average Growth for Sample Properties (Apartments)								17.4%
Average Growth for All Commercial - Rental Properties								20.7%

Scenario 5 = Executive's FY09 rates		ASSESSMENT		COUNTY TAX RATE		COUNTY PROPERTY TAX		% CHG - FY08 to FY09
TYPE		FY08	FY09	FY08	FY09	FY08	FY09	
Residential Non-Owner-Occupied	\$	349,990	\$ 401,640	0.916	0.990	\$ 3,206	\$ 3,976	24.0%
Residential Non-Owner-Occupied	\$	551,252	\$ 563,180	0.916	0.990	\$ 5,049	\$ 5,575	10.4%
Residential Non-Owner-Occupied	\$	450,032	\$ 587,000	0.916	0.990	\$ 4,122	\$ 5,811	41.0%
Residential Non-Owner-Occupied	\$	744,676	\$ 848,232	0.916	0.990	\$ 6,821	\$ 8,397	23.1%
Residential Non-Owner-Occupied	\$	822,970	\$ 950,100	0.916	0.990	\$ 7,538	\$ 9,406	24.8%
Average Growth for Sample Properties (Residential - Non-Owner-Occupied)								24.7%
Average Growth for All Residential - Non-Owner-Occupied								23.7%

Munis SDAT website for FY09 assessment data
 FY09 property tax rates are recommended (March 2008) County Property Tax only (i.e., excludes State, Municipal, solid waste, etc.)
 (Shading indicates Residential Owner-Occupied (subject to Homestead Credit))

	A	B	C	D	E
	PROPERTY TAX OPTIONS FOR FY09				
1					
2					
3					
4			Difference	\$ increase from	% increase from
5		Amount	from CE	FY08 approved	FY08 approved
6	FY08 approved property tax	1,207,534,618	(177,689,351)		
7	FY09 Property tax at current rates	1,507,286,693	122,062,724	299,752,075	24.8%
8	FY09 CE property tax	1,385,223,969	0	177,689,351	14.7%
9	Council option 1	1,365,223,969	(20,000,000)	157,689,351	13.1%
10	Council option 2	1,345,223,969	(40,000,000)	137,689,351	11.4%
11	Council option 3	1,309,223,969	(76,000,000)	101,689,351	8.4%
12	Council option 4	1,285,223,969	(100,000,000)	77,689,351	6.4%
13	FY09 Property tax at Charter limit by reducing rate	1,247,460,516	(137,763,453)	39,925,898	3.3%

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	A	B	C	D	E	F
	Scenarios to raise Council's property tax	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
41	County Executive property tax	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969
42	Council option: decrease from Executive	(56,000,000)	(56,000,000)	(56,000,000)	(56,000,000)	(56,000,000)
43	Council property tax	1,329,223,969	1,329,223,969	1,329,223,969	1,329,223,969	1,329,223,969
44	Decrease from property tax at current rates	(178,062,724)	(178,062,724)	(178,062,724)	(178,062,724)	(178,062,724)
45	Decrease from credit	0	(110,942,724)	(144,502,724)	(178,062,724)	(248,430,000)
46	Decrease from reducing rate (or incr. from incr. rate)	(178,062,724)	(67,120,000)	(33,560,000)	0	70,367,276
47	Credit per household, rounded down to nearest \$	0	(452)	(589)	(726)	(1,014)
48	Change rate	-10.6¢	-4.0¢	-2.0¢	0.0¢	+4.2¢

	A	B	C	D	E	F	G
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(56,000,000)		
2	Amount of tax for five scenarios						
3							
4	I. Residential						
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)	
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903	
8	Change tax rate	(\$0.106)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.042	
9	FY09 tax rate	\$0.797	\$0.863	\$0.883	\$0.903	\$0.945	
10	FY09 credit per household	\$0	(\$452)	(\$589)	(\$726)	(\$1,014)	
11							
12							
13	FY08	FY09 tax	FY09 tax	FY09 tax	FY09 tax	FY09 tax	Change
14	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	1 to 5
15	100,000	877	497	382	267	25	(851)
16	200,000	1,753	1,447	1,354	1,261	1,065	(689)
17	300,000	2,630	2,396	2,325	2,254	2,104	(526)
18	312,000	2,735	2,510	2,441	2,373	2,229	(506)
19	377,659	3,311	3,133	3,079	3,025	2,911	(399)
20	400,000	3,507	3,345	3,296	3,247	3,144	(363)
21	500,000	4,384	4,295	4,268	4,241	4,183	(200)
22	600,000	5,260	5,244	5,239	5,234	5,223	(38)
23	700,000	6,137	6,193	6,210	6,227	6,262	125
24	800,000	7,014	7,142	7,181	7,220	7,301	288
25	900,000	7,890	8,092	8,153	8,214	8,341	451
26	1,000,000	8,767	9,041	9,124	9,207	9,380	613
27	1,100,000	9,644	9,990	10,095	10,200	10,420	776
28	1,500,000	13,151	13,788	13,981	14,174	14,577	1,427
29	2,000,000	17,534	18,534	18,837	19,140	19,775	2,241
30	2,500,000	21,918	23,281	23,694	24,107	24,972	3,054
31	3,000,000	26,301	28,027	28,550	29,073	30,169	3,868
32	3,500,000	30,685	32,774	33,407	34,040	35,366	4,682
33	4,000,000	35,068	37,520	38,263	39,006	40,563	5,495
34							
35							
36	II. Sample apartment building (or any non-residential property) with taxable value in FY09						
37	100,000,000	797,000	863,000	883,000	903,000	944,935	147,935

	A	B	C	D	E	F
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(56,000,000)	
2	% change in amount of tax from FY05 to FY09 for five scenarios					
3						
4	I. Residential					
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903
8	Change tax rate	(\$0.072)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.075
9	FY09 tax rate	\$0.831	\$0.863	\$0.883	\$0.903	\$0.978
10	FY09 credit per household	\$0	(\$224)	(\$361)	(\$498)	(\$1,014)
11						
12						
13						
14	FY08	Percentage change from FY05 to FY09				
15	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
16	100,000	17.3%	-33.5%	-48.9%	-64.2%	-96.6%
17	200,000	17.3%	-3.2%	-9.5%	-15.7%	-28.8%
18	300,000	17.3%	6.8%	3.7%	0.5%	-6.2%
19	312,000	17.3%	7.6%	4.7%	1.7%	-4.4%
20	377,659	17.3%	11.0%	9.1%	7.2%	3.1%
21	400,000	17.3%	11.9%	10.2%	8.6%	5.1%
22	500,000	17.3%	14.9%	14.2%	13.4%	11.9%
23	600,000	17.3%	16.9%	16.8%	16.7%	16.4%
24	700,000	17.3%	18.3%	18.7%	19.0%	19.7%
25	800,000	17.3%	19.4%	20.1%	20.7%	22.1%
26	900,000	17.3%	20.3%	21.2%	22.1%	24.0%
27	1,000,000	17.3%	20.9%	22.1%	23.2%	25.5%
28	1,100,000	17.3%	21.5%	22.8%	24.0%	26.7%
29	1,500,000	17.3%	23.0%	24.7%	26.4%	30.0%
30	2,000,000	17.3%	24.0%	26.0%	28.0%	32.3%
31	2,500,000	17.3%	24.6%	26.8%	29.0%	33.6%
32	3,000,000	17.3%	25.0%	27.3%	29.6%	34.5%
33	3,500,000	17.3%	25.3%	27.7%	30.1%	35.2%
34	4,000,000	17.3%	25.5%	28.0%	30.4%	35.7%

	A	B	C	D	E	F
	Scenarios to raise Council's property tax	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
41						
42	County Executive property tax	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969	1,385,223,969
43	Council option: decrease from Executive	(76,000,000)	(76,000,000)	(76,000,000)	(76,000,000)	(76,000,000)
44	Council property tax	1,309,223,969	1,309,223,969	1,309,223,969	1,309,223,969	1,309,223,969
45	Decrease from property tax at current rates	(198,062,724)	(198,062,724)	(198,062,724)	(198,062,724)	(198,062,724)
46	Decrease from credit	0	(130,942,724)	(164,502,724)	(198,062,724)	(248,430,000)
47	Decrease from reducing rate (or incr. from incr. rate)	(198,062,724)	(67,120,000)	(33,560,000)	0	50,367,276
48	Credit per household, rounded down to nearest \$	0	(534)	(671)	(808)	(1,014)
49	¢ change rate	-11.8¢	-4.0¢	-2.0¢	0.0¢	+3.0¢

	A	B	C	D	E	F	G
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(76,000,000)		
2	Amount of tax for five scenarios						
3							
4	I. Residential						
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)	
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903	
8	Change tax rate	(\$0.118)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.030	
9	FY09 tax rate	\$0.785	\$0.863	\$0.883	\$0.903	\$0.933	
10	FY09 credit per household	\$0	(\$534)	(\$671)	(\$808)	(\$1,014)	
11							
12							
13	FY08	FY09 tax	FY09 tax	FY09 tax	FY09 tax	FY09 tax	Change
14	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	1 to 5
15	100,000	864	415	300	185	12	(851)
16	200,000	1,727	1,365	1,272	1,179	1,039	(688)
17	300,000	2,591	2,314	2,243	2,172	2,065	(526)
18	312,000	2,694	2,428	2,359	2,291	2,188	(506)
19	377,659	3,261	3,051	2,997	2,943	2,862	(399)
20	400,000	3,454	3,263	3,214	3,165	3,091	(363)
21	500,000	4,318	4,213	4,186	4,159	4,118	(200)
22	600,000	5,181	5,162	5,157	5,152	5,144	(37)
23	700,000	6,045	6,111	6,128	6,145	6,170	126
24	800,000	6,908	7,060	7,099	7,138	7,197	289
25	900,000	7,772	8,010	8,071	8,132	8,223	451
26	1,000,000	8,635	8,959	9,042	9,125	9,249	614
27	1,100,000	9,499	9,908	10,013	10,118	10,275	777
28	1,500,000	12,953	13,706	13,899	14,092	14,381	1,428
29	2,000,000	17,270	18,452	18,755	19,058	19,512	2,242
30	2,500,000	21,588	23,199	23,612	24,025	24,644	3,056
31	3,000,000	25,905	27,945	28,468	28,991	29,776	3,871
32	3,500,000	30,223	32,692	33,325	33,958	34,907	4,685
33	4,000,000	34,540	37,438	38,181	38,924	40,039	5,499
34							
35							
36	II. Sample apartment building (or any non-residential property) with taxable value in FY09						
37	100,000,000	785,000	863,000	883,000	903,000	933,016	148,016

	A	B	C	D	E	F
1	FY 09 PROPERTY TAX OPTIONS: Amount less than the Executive				(76,000,000)	
2	% change in amount of tax from FY05 to FY09 for five scenarios					
3						
4	I. Residential					
5		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
6	FY08 credit per household	(\$613)	(\$613)	(\$613)	(\$613)	(\$613)
7	FY08 tax rate,	\$0.903	\$0.903	\$0.903	\$0.903	\$0.903
8	Change tax rate	(\$0.072)	(\$0.040)	(\$0.020)	+\$0.000	+\$0.075
9	FY09 tax rate	\$0.831	\$0.863	\$0.883	\$0.903	\$0.978
10	FY09 credit per household	\$0	(\$224)	(\$361)	(\$498)	(\$1,014)
11						
12						
13						
14	FY08	Percentage change from FY05 to FY09				
15	Taxable Value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
16	100,000	15.5%	-44.4%	-59.8%	-75.2%	-98.4%
17	200,000	15.5%	-8.7%	-14.9%	-21.2%	-30.5%
18	300,000	15.5%	3.2%	0.0%	-3.2%	-7.9%
19	312,000	15.5%	4.1%	1.2%	-1.8%	-6.2%
20	377,659	15.5%	8.1%	6.2%	4.3%	1.4%
21	400,000	15.5%	9.1%	7.5%	5.9%	3.4%
22	500,000	15.5%	12.7%	12.0%	11.3%	10.2%
23	600,000	15.5%	15.1%	15.0%	14.9%	14.7%
24	700,000	15.5%	16.8%	17.1%	17.4%	17.9%
25	800,000	15.5%	18.1%	18.7%	19.4%	20.3%
26	900,000	15.5%	19.0%	20.0%	20.9%	22.2%
27	1,000,000	15.5%	19.8%	21.0%	22.1%	23.7%
28	1,100,000	15.5%	20.5%	21.8%	23.0%	25.0%
29	1,500,000	15.5%	22.2%	23.9%	25.7%	28.2%
30	2,000,000	15.5%	23.4%	25.4%	27.5%	30.5%
31	2,500,000	15.5%	24.1%	26.3%	28.5%	31.9%
32	3,000,000	15.5%	24.6%	26.9%	29.3%	32.8%
33	3,500,000	15.5%	24.9%	27.4%	29.8%	33.4%
34	4,000,000	15.5%	25.2%	27.7%	30.2%	33.9%